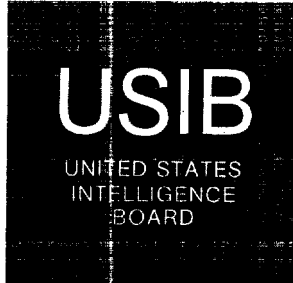


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National Intelligence Bulletin

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June 4, 1974

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Approved For Release 2007/03/09 : CIA-RDP79T00975A026600010035-8

Approved For Release 2007/03/09 : CIA-RDP79T00975A026600010035-8

National Intelligence Bulletin

June 4, 1974

CONTENTS

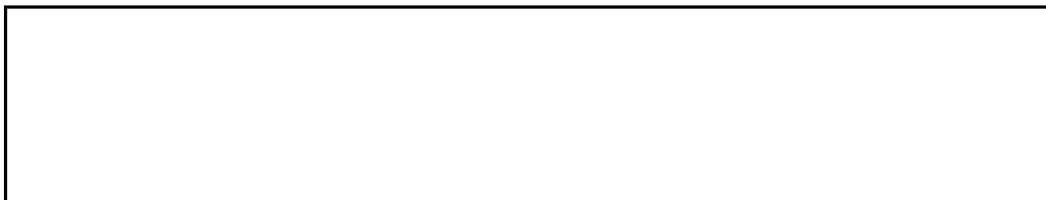
ISRAEL: Prime Minister Rabin announced no significant policy changes yesterday in statement to Knesset. (Page 1)

NPT-ITALY: Rome's opposition to NPT hardens, in wake of India's nuclear explosion. (Page 3)

CHINA: New air force commander identified. (Page 4)

USSR-CHINA: New agreement calls for increased trade. (Page 5)

USSR: Lunar probe placed in orbit around moon. (Page 6)



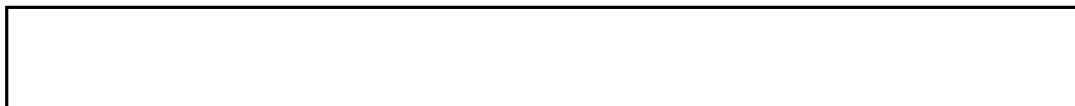
25X1

JAPAN: Economic slump worsens. (Page 9)

JAPAN-CHINA: Tokyo signs a \$230-million contract to build steel rolling mill for China. (Page 10)

USSR: Soviet Detente Policy Assessed. (Page 11)

LAOS: Communists Fail to Withdraw Troops. (Page 15)



25X1

National Intelligence Bulletin

June 4, 1974

ISRAEL

Prime Minister Yitzhak Rabin announced no significant policy changes yesterday in his statement before the Israeli Knesset.

On foreign policy, Rabin reiterated his long-held belief that Israel must seek to advance toward peace with its Arab neighbors in stages through partial agreements to test Arab intentions. He said the government will closely examine Cairo's and Damascus' implementation of the disengagement agreements as an indicator of the prospects for additional progress in reaching a Middle East peace. He praised Cairo's adherence so far to the disengagement accord.

Citing the attitude of Egypt as the key to the Arab states' policy toward Israel, Rabin said that talks with Cairo should be the next stage in the negotiations. These could be to obtain either a full peace treaty or an interim agreement in which Egypt would renounce the state of belligerency with Israel. Once an additional agreement with Egypt is reached, Rabin said he hoped that a final peace agreement with Syria could be worked out.

Rabin said he is prepared to hold peace negotiations with Jordan, and that his government will not accept the creation of an independent Palestinian state on the West Bank. Jerusalem, he added, must remain united and the capital of Israel. Rabin renewed the Meir government's pledge that no peace treaty with Jordan, involving territorial concessions on the West Bank, will be signed without holding new elections first. Rabin reiterated the long-standing Israeli position that there can be no return to the pre-1967 borders, which he said are not defensible.

The Prime Minister went on to say that Israel will not deal with the Palestinian terrorist organizations and that it objects to their presence at Geneva either

National Intelligence Bulletin

June 4, 1974

as participants or as observers. He warned the Lebanese government that it must bear full responsibility for terrorist activities against Israel launched from Lebanon, but claimed that it will be easy to obtain a peace settlement with Beirut.

Rabin said efforts should be made to improve Israel's relations with other countries, especially in Europe and in Africa, and called on Israelis not to give in to isolationist tendencies.

While citing Israel's close relationship with the US, Rabin said the government would, nevertheless, stick to positions it deemed vital to Israel's survival, even if these are not acceptable to Washington.

On domestic issues, Rabin discussed at length the need for governmental leadership in education, housing, income maintenance, and social services. He said that the government will heed the ferment among Israeli youth and attempt to bring them into the decision-making process.

Following a lengthy and at times heated debate, the Knesset approved the new 18-member Rabin cabinet by a vote of 61 to 51. [REDACTED]

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National Intelligence Bulletin

June 4, 1974

NPT-ITALY

Italy has made clear in recent talks with the West Germans that its opposition to the nuclear Non-Proliferation Treaty is hardening, in the wake of India's nuclear explosion. [redacted] the Italian position may make it difficult for Bonn to deposit its instruments of ratification for the treaty.

[redacted] the Indian test and the USSR's failure to protest it had made Italian parliamentary approval of the treaty less likely. The Italian position is complicated [redacted] by the fact that Mediterranean states--including Libya, Algeria, Egypt, Israel, Spain, and Albania--are not parties to the pact.

Italian political leaders evidently feel that a formal commitment by the government to ban the development of nuclear weapons would be politically unwise at this time, even though they do not want Italy to join the nuclear club. The Rumor government now plans to delay asking parliamentary approval of the treaty. It will, however, seek parliamentary approval of an agreement providing for verification, under International Atomic Energy Agency procedures, that Italy will allow no nuclear material to be diverted for the manufacture of nuclear weapons. Italy apparently believes that in order to continue to receive fissionable material for industrial purposes, it must ratify the verification agreement.

Bonn has taken the position that the NPT and the verification agreement are inseparable and has pointed out that a nation is required to sign the verification agreement after it has become a party to the treaty.

The West German government assured the Bundestag at the time of ratification that all EC partners except France were prepared to ratify, and that the two agreements would come into force simultaneously. Bonn may now feel that Rome's plan to separate the two treaties would invalidate this assurance and create political difficulties for Chancellor Schmidt and the Social Democrats. [redacted]

National Intelligence Bulletin

June 4, 1974

CHINA

The identification of an air force commander on June 1 fills a vacancy that has existed since the Lin Piao affair. Several other posts in the military high command that were vacated at that time, including minister of defense and PLA chief of staff, remain unfilled.

The new commander, Ma Ning, is a civil war hero in his mid-50s and a full member of the Central Committee. Although Ma has been in the air force since 1949, little is known about his previous political alignments. Most of his known assignments have been as a professional military commander; he had not been identified in a national-level position prior to June 1973. His background and relative obscurity suggest that his appointment is in accord with the trend toward increasing the professionalism of the military and playing down PLA involvement in politics.

Based on his ranking at previous occasions, Ma may have been heading the air force for the past year. De facto heads can also be identified for the Ministry of Defense and the PLA chief of staff. Peking's failure to formalize the appointments may have been a result of persistent political divisions among the top leadership. In any event, there is no evidence that the vacancies have had any impact on the military effectiveness of the PLA.

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National Intelligence Bulletin

June 4, 1974

USSR-CHINA

The recently signed annual trade agreement between the USSR and China calls for a total trade level of more than \$345 million, compared with \$270 million last year. According to a Soviet broadcast, exports from the USSR will consist primarily of aircraft and power-generating equipment. Most of China's exports will be raw materials, agricultural products, and consumer goods.

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The trade agreement is another indication that both sides want to maintain some semblance of normal state relations, despite the increased frictions resulting from China's detention of a Soviet helicopter crew for more than two months.

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National Intelligence Bulletin

June 4, 1974

USSR

The Soviets' latest lunar probe, Luna 22, was successfully placed into orbit around the moon on Sunday.

Tass has announced that the probe is completing one revolution of the moon every two hours and ten minutes and that the instruments carried on the craft are functioning normally. The Soviets reported that Luna 22 will continue the program, begun by Luna 19, of conducting scientific research of the moon from an orbiting artificial satellite.

Luna 19 was placed into orbit around the moon in the fall of 1971.

The US lunar orbiter program resulted in the discovery in August 1968 of the moon's gravitational irregularities caused by mass concentrations under the lunar surface. The information obtained from the program was necessary for planning the later manned missions.

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Approved For Release 2007/03/09 : CIA-RDP79T00975A026600010035-8

National Intelligence Bulletin

June 4, 1974

JAPAN

The economic slump worsened in April. Industrial production slipped 1.7 percent, to a level nearly 6 percent below the high reached last November. The motor vehicle and construction materials industries were especially hard hit.

Despite the decline, industrial production continued to outrun shipments of finished goods, and manufacturers' inventories rose 6.4 percent. Production may be cut back further to stop the accumulation of inventories unless recently granted wage increases trigger a surge in consumer buying.

Government officials still vow to continue restrictive policies in order to dampen inflation. Tokyo wants to minimize the impact of recent increases in wages and oil prices on the consumer price level, but economic activity will remain sluggish until there has been a broad easing of monetary and fiscal restraints.

National Intelligence Bulletin

June 4, 1974

JAPAN-CHINA

Japan yesterday signed a \$230-million contract to build a steel rolling mill for China, according to press reports. The deal is the largest in China's wave of plant purchases from non-Communist countries. Japan, the biggest supplier, has previously concentrated on providing petrochemical facilities.

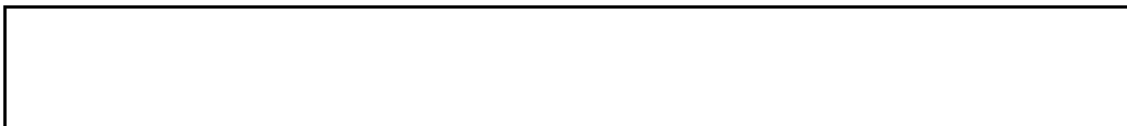
Under the new contract, Nippon Steel will deliver equipment for a section of the steel complex at Wuhan in which a West German company also is participating. The Japanese firm will train 300 Chinese technicians. This agreement will add to the already burgeoning trade between Peking and Tokyo. Trade doubled last year to about \$2 billion and was up 50 percent in the first quarter of this year. [REDACTED]

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National Intelligence Bulletin

June 4, 1974

USSR



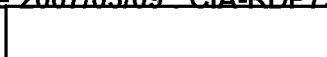
The USSR sees in detente the international atmosphere best suited to maximizing the power and security of the Soviet state and its influence abroad. Soviet leaders neither expect nor intend their "peace program" to end rivalry with the outside world, but rather to set prudent limits on that rivalry in the nuclear age and allow for greater Soviet policy maneuver.

For the Soviets, detente is at least as much a need as a choice. The major contributing factors include: the necessity to avoid nuclear war and, by extension, to manage local crises with great care; the problem of coping with Chinese hostility; a need for Western capital and technology; opportunities to have the USSR's superpower status recognized and to consolidate its hegemony in Eastern Europe; and the chance to inhibit Western military programs without accepting corresponding limits on those of the USSR.

Pursuit of detente also raises problems for the Soviets at home and abroad: the problem of maintaining internal discipline in a more relaxed international atmosphere; possible erosion of Soviet control in Eastern Europe; and complications in relations with client states and within the international communist movement. These problems do not appear critical at the moment.



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National Intelligence Bulletin

June 4, 1974

Brezhnev and the detente approach seem well entrenched, but both must sustain a defensible record of accomplishment. Foreign policy setbacks of a magnitude to bring the overall detente approach into question would pose a challenge to Brezhnev's position. He would probably be able to head off such a challenge by initiating some policy shifts. But if these setbacks were to coincide with serious domestic difficulties, he might not be able to carry off such a maneuver.

While Soviet leadership changes are likely over the next few years, successors will face much the same set of opportunities and imperatives. After some hiatus for domestic political consolidation, they will probably be predisposed by Soviet national interests to look favorably on a detente approach.

The most durable elements of the Soviet detente approach are the drive for expanded economic relations and the avoidance of threat and challenge in relations with the highly developed countries. Barring a radical change in Sino-Soviet relations, which we think unlikely, the rivalry with China will also serve to keep Moscow on this track. But some easing of this conflict, perhaps after Mao's passing, could reduce Soviet incentives to pursue detente.

In the Middle East, the USSR is concerned to regain lost ground and hopes to do so at the more difficult later stages of Arab-Israeli negotiations. In any crisis within the next year or so, if Moscow were forced to make a clear choice between detente and its regional interests, the chances are better than even that, within the requirement of avoiding a confrontation with the US, the USSR would be willing to risk a setback to detente.

Soviet relations with the US are central to the future of detente, and arms control negotiations are central to those relations. While Soviet policy does not allow for a collapse of MBFR and SALT, Moscow still appears to be searching hard for advantage in these talks, and would like to believe that this behavior does not threaten other Soviet interests bound up in detente.

National Intelligence Bulletin

June 4, 1974

In the meantime, the USSR continues to pursue ambitious military programs. These extend beyond its vigorous ICBM development efforts to embrace many other weapon systems as well.

While the Soviet balance sheet on detente is becoming more complicated, the leaders will prefer to deal with various problems in pragmatic fashion and to keep detente as a whole from coming into question. Even if only partial gains are realized, Moscow will not choose deliberately to abandon detente unless forced to do so by critical repercussions at home or in Eastern Europe.

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Approved For Release 2007/03/09 : CIA-RDP79T00975A026600010035-8

National Intelligence Bulletin

June 4, 1974

LAOS: Communists Fail to Withdraw Troops

The formation of a new coalition government on April 5 started the countdown on a 60-day deadline for the withdrawal of all foreign military personnel from Laos and the return of all prisoners of war. The withdrawal period ends today.

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[REDACTED]

On the Communist side, sizable numbers of North Vietnamese troops are still in Laos, and they show no sign of leaving. No prisoners have been exchanged, and there is little prospect of their early release.

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The North Vietnamese Stand Fast

Although the number of North Vietnamese troops in Laos has declined by some 36,000 since the cease-fire agreement in February 1973, Hanoi has withdrawn only one major unit [REDACTED] since the 60-day countdown began. An estimated 47,000 North Vietnamese troops (18,000 in infantry and combat support units and 29,000 rear services personnel) remain.

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Approximately three fourths of the North Vietnamese personnel are concerned primarily with supporting Hanoi's war effort in South Vietnam by keeping supplies and personnel moving along the eastern Lao infiltration corridor, and they will probably stay there in force for some time.

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Approved For Release 2007/03/09 : CIA-RDP79T00975A026600010035-8

Approved For Release 2007/03/09 : CIA-RDP79T00975A026600010035-8

National Intelligence Bulletin

June 4, 1974

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Given the high priority Hanoi assigns to maintaining an adequate flow of troops and supplies to South Vietnam, there was never any real prospect of significant and permanent withdrawals of North Vietnamese logistic and engineer forces from the Lao infiltration corridor. The North Vietnamese have spent many months developing the Ho Chi Minh trail route structure into a dual-lane, all-weather road net that spans almost the entire length of the central and southern Lao panhandle. Despite the development and refinement of a parallel supply and infiltration corridor across the border in western South Vietnam, there is still little likelihood that Hanoi will abandon its route structure in eastern Laos as long as the fighting continues in Vietnam.

The North Vietnamese apparently are also determined to maintain, at least for the time being, a limited main force combat presence in parts of the Lao interior to prevent potential rightist military moves against so-called "liberated areas" or against the new coalition government itself. In addition, Hanoi evidently plans to continue to train, advise, and to some extent logistically support the Pathet Lao until they are convinced their Lao Communist clients can hold their own against the Lao army and do reasonably well in future general elections.

For their part, the Pathet Lao have shown no interest in having the North Vietnamese leave. On the contrary, they probably welcome a continued North Vietnamese presence to aid in protecting their political and military interests in the new coalition environment.

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National Intelligence Bulletin

June 4, 1974

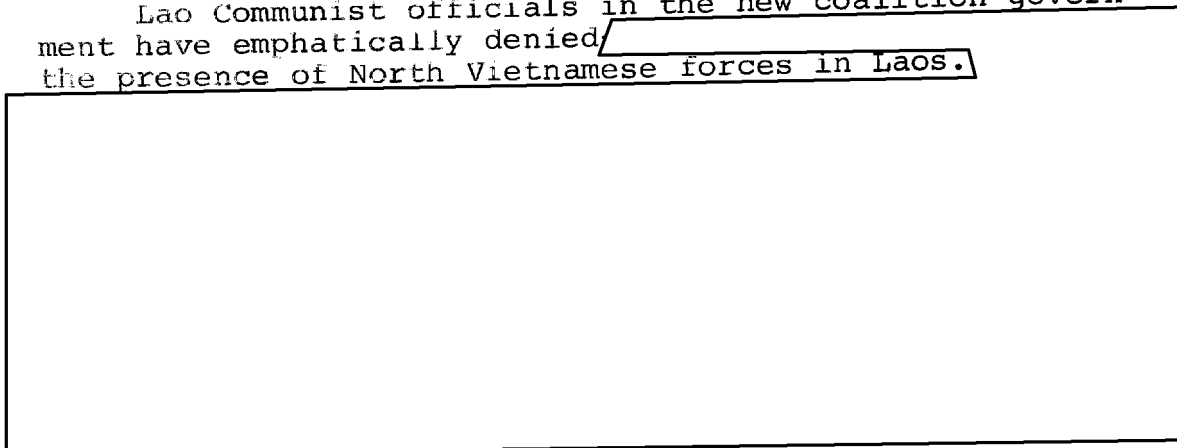


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Communist Public Posture

Lao Communist officials in the new coalition government have emphatically denied the presence of North Vietnamese forces in Laos.

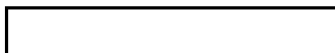
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The Communists have also engaged in a major campaign to shift the focus of attention on the foreign troop withdrawal issue to the US and Thailand. The comprehensive national political program that Pathet Lao leader Prince Souphanouvong recently pushed through the coalition's Joint National Political Council calls specifically upon Washington and Bangkok to stop their "interference, aggression, and military involvement in Laos." No other countries are mentioned.

In addition, there has been a marked increase in the intensity and frequency of Communist propaganda attacks charging the US and Thailand with violating the 1962 and 1973 Lao Accords. Recent broadcasts from Hanoi and the Viet Cong as well as the Pathet Lao have emphasized Lao Communist and North Vietnamese demands that the US military presence be withdrawn not only from Laos but especially from bases in Thailand.

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National Intelligence Bulletin

June 4, 1974

Non-Communist Reactions

Despite the agitation of some rightist and other non-Communist members of the coalition, Prime Minister Souvanna apparently is not overly concerned at this stage with North Vietnam's continued military presence in Laos. He has pointed out on several occasions that there is little the non-Communists can do to eject Hanoi's troops from portions of the Lao interior or to prevent their unimpeded use of the eastern trail network, particularly since these areas lie within the zone controlled by the Pathet Lao.

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Withdrawal Inspection Machinery Founders

Under the terms of the Lao Accords, the military committee of the two-party Joint Central Commission to Implement the Agreement, assisted by the International Control Commission, is charged with inspecting and verifying foreign troop withdrawals. The Lao Communists, however, have blocked the development of any effective inspection procedures. Largely as a result of Pathet Lao initiative, the commission has decided that checkpoints for monitoring troop withdrawals cannot be established until demarcation stakes separating each side's zone of military control are in place. The protocol specifies that some 27 temporary boundary markers or stakes must be implanted by the commission at "hot points" to preclude the possibility of future armed conflict.

The commission has authorized the creation of ten 12-man joint mobile teams to participate in the stake-planting and troop-withdrawal inspection exercises, but to date only three teams have actually been established, and they have no transportation.

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National Intelligence Bulletin

June 4, 1974

In addition to their stake-planting ploy, the Communists seem to be insisting that some lingering problems, such as the withdrawal of unauthorized Royal Lao Army military personnel and combat aircraft from the twin capitals, must be resolved before the commission can take up the troop-withdrawal question.

Prisoners Stay Put

There has been no progress on the prisoner issue. The Pathet Lao admit to holding only one American prisoner--civilian contract pilot Emmet Kay--who was captured on May 7, 1973. Four other Americans are believed to have been captured in Laos prior to the cease-fire agreement, and some 314 are listed as missing in action.

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The non-Communist side holds an estimated 135 North Vietnamese captives. Neither Lao side has admitted to holding any Lao prisoners.

The Communists' failure to release any prisoners prior to the June 4 deadline strengthens earlier indications that they intend to use some of their captives to force changes in US and Thai policy toward Laos.

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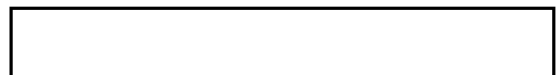
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